

Message Text

CONFIDENTIAL

PAGE 01 LIMA 08301 012207Z

70

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-12 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 GSA-02 H-03 L-03 PA-04 PRS-01 USIA-15 DRC-01

/167 W

----- 089690

P 012100Z OCT 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2166

C O N F I D E N T I A L LIMA 8301

E.O. 11652: GDS

TAGS: FIN, EMIN, ETRD, PE

SUBJECT: CUAJONE - STATUS OF FINANCING PACKAGE

REF: STATE 214853

1. SUMMARY: FRANK ARCHIBALD, PRESIDENT SPCC, CONFIRMED FACTS REFTTEL TO EMBASSY OFFICER OCTOBER 1, BUT NOTED THAT PACKAGE NOT YET "IN GRAVE PERIL" ALTHOUGH SITUATION PRESENTLY STALLED PENDING RESOLUTION OF TWO RELATED ISSUES. FIRST IS GOP FAILURE TO HONOR MINEROPERU'S COMMITMENT TO EXONERATE TWO EUROPEAN COPPER BUYERS FROM PAYMENT OF COPPER EXPORT TAX, AND SECOND IS CHASE MANHATTAN BANK'S REFUSAL TO ACCEPT GOP COUNTERPROPOSAL THAT SPCC REFINES THE EUROPEAN BUYER'S COPPER ON TOLL SINCE CHASE BELIEVES SUCH A COURSE WOULD REQUIRE NEW CONTRACT WAIVERS WHICH IN TURN WOULD IMPERIL COMPLETE FINANCING PACKAGE. GOP COUNCIL OF MINISTERS REFUSED ACT ON ISSUE, ASKING "FOR FURTHER STUDY" AND MATTER IS PRESENTLY IN HANDS OF MINEROPERU AND SPCC, WITH INTERESTED MINISTERS, ACCORDING TO ARCHIBALD, STAYING ON SIDELINES TO AVOID CHARGES OF "SELLING OUT". SEVERAL TECHNICAL SOLUTIONS POSSIBLE, WITH CHASE MANHATTAN OFFICIALS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 08301 012207Z

ARRIVING LIMA TOMORROW TO TAKE PART IN DISCUSSIONS.

ARCHIBALD DOES NOT BELIEVE USG CAN PLAY USEFUL ROLE WITH
GOP AT THIS TAGE. END SUMMARY.

2. ARCHIBALD TOLD EMBASSY OFFICER THAT AFTER SIGNING
OF COPPER LOAN CONTRACTS IN GENEVA SEPTEMBER 18-20, SERIOUS
PROBLEM AROSE WITH CHASE \$200 MILLION PACKAGE. CHASE, AS
MENTIONED REFTTEL, HAD ALREADY OBTAINED WAIVERS FROM
PREVIOUS CONDITIONS AGREED TO ORIGINALLY IN NOVEMBER 1972,
AND ON SEPTEMBER 30 FINAL GUARANTEE AND COUNTERGUARANTEE
DOCUMENTS WERE SIGNED BY CHASE WITH CONSORTIUM BANKS. FURTHER,
IN GENEVA, MINEROPERU AGREED TO EXONERATE BILLITON (DUTCH)
AND ENFIELD (U.K.) COPPER BUYERS FROM 2 PERCENT COPPER
EXPORT TAX WHICH WOULD APPLY TO THEM SINCE THEY ARE PURCHASING
SPCC COPPER INSIDE PERU FOR REFINING AT THE NEW MINEROPERU
ILO REFINERY. ON SEPTEMBER 17, IN ANTICIPATION THESE
DEVELOPMENTS, A DRAFT LAW EXONERATING ENFIELD AND BILLITON
WAS PRESENTED AT COUNCIL OF MINISTERS MEETING, BUT
APPARENTLY NEITHER MINES MINISTER FERNANDEZ MALDONADO NOR
FINANCE MINISTER VARGAS GAVILANO WERE WILLING TO DEFEND
IT WHEN OTHER MINISTERS (UNIDENTIFIED) ATTACKED THE LAW
AS A "SELL OUT". (IT WOULD HAVE REQUIRED WAIVER OF THE
CURRENT PERUVIAN DECREE ON THIS SUBJECT). THE MATTER WAS
THEN PUT ON ICE, "FOR FURTHER STUDY", AND WAS TO HAVE BEEN
DISCUSSED AT CABINET MEETING LAST TUESDAY, SEPTEMBER 24 BUT
MEETING WAS CANCELLED.

3. IN MEANTIME, MINISTER VARGAS IS IN WASHINGTON AT IBRD/IMF
MEETING AND FERNANDEZ MALDONADO HAS TOLD SPCC HE WILL NOT
DEAL WITH THEM DIRECTLY, BUT THAT THE COMPANY SHOULD
HANDLE THIS MATTER ONLY AT MINEROPERU LEVEL. GOP MADE
COUNTERPROPOSAL TO BILLITON AND ENFIELD THAT SPCC REFINER
THE COPPER "ON TOLL" BUT CHASE SAYS THIS WOULD REQUIRE
OBTAINING A SECOND ROUND OF WAIVERS FROM FIFTY-TWO BANKS IN
ITS CONSORTIUM AND GIVEN PRESENT MARKET CONDITIONS WOULD
VIRTUALLY INVITE SOME BANKS TO WITHDRAW FROM THE ARRANGEMENT
AND PROBABLY PRECIPITATE COLLAPSE OF TOTAL FINANCE PACKAGE.
THUS CHASE HAS REFUSED TO ENTERTAIN GOP PROPOSAL. GOP HAS
LAID DOWN FOLLOWING THREE CONDITIONS TO SPCC FOR SETTLEMENT OF
ISSUE: (A) MINEROPERU WILL NOT ITSELF ABSORB THE TAX; (B)
COPPER MUST BE REFINED IN PERU; AND (C) THIS ISSUE CANNOT BE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 08301 012207Z

RAISED AT CABINET LEVEL.

4. ARCHIBALD IS CONCERNED AT PRESENT IMPASSE, BUT DOES NOT
BELIEVE PACKAGE CAN BE CONSIDERED IN GRAVE PERIL. IN FACT,
HE SEES SEVERAL TECHNICAL MEANS OF RESOLVING ISSUE INCLUDING
AGREEMENT NOT TO TRANSFER TITLE OF COPPER FROM SPCC (SPCC
AS CONCESSIONAIRE DOES NOT PAY EXPORT TAX), PROCESSING
COPPER IN BOND THROUGH REFINERY OR PHYSICALLY EXPORTING COPPER

FROM PERU AND THEN SHIPPING BACK TO ILO IN TRANSIT (A MECHANISM HE CLAIMS USED ELSEWHERE). AT THIS STAGE, WHILE KEEPING EMBASSY INFORMED, ARCHIBALD DOES NOT BELIEVE THAT THERE IS ANY USEFUL ROLE FOR USG TO PLAY, ALTHOUGH HE SAID SPCC MAY CALL ON US AT LATER DATE SHOULD IMPASSE CONTINUE OR PROBLEMS GROW.

5. COMMENT: ARCHIBALD MOST DEFINITELY HAS NOT PUSHED PANIC BUTTON YET, ALTHOUGH HE EXPLAINED THAT THIS LATEST INTRANSIGENCE ON PART OF PERUVIAN LEADERS IS VERY EXASPERATING. ARCHIBALD NOTED THAT FEAR OF "ENTREGUISMO" RUNS DEEP HERE AND IS PART OF REGULAR GOVERNMENT PROCEDURE, TO WHICH HE IS INURED. HE HOPES THAT PRESENCE CHASE OFFICIALS WILL ENCOURAGE MINEROPERU TO MAKE A QUICK SETTLEMENT OF THE PROBLEM.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINING, COPPER, CONSTRUCTION, CUSTOMS DUTIES, LOAN AGREEMENTS, BANK CONSORTIUMS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA08301
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740277-0721
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741084/aaaactjn.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 214853
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2002 by elyme>; APPROVED <06 MAR 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CUAJONE - STATUS OF FINANCING PACKAGE
TAGS: EFIN, EMIN, ETRD, PE, CUAJONE, SPCC, (ARCHIBALD, FRANK)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005